

7. **CONTINUATION OF BUDGET DISCUSSION**

c. City Council Direction to Staff on the Following Budget Issues

- v. Memorandum regarding revenue refinements of the communication service tax, tipping fees and Fund B Investment Pool



MEMORANDUM

TO: JUDIE ZIMOMRA, CITY MANAGER

FROM: SYLVIA EDWARDS, FINANCE DIRECTOR

DATE: JULY 29, 2008

RE: REVENUE PROJECTION UPDATE

The Finance Department closely monitors all revenue sources. As we finalize revenue projections for the FY 2009 Budget, the following three revenue sources may yet be adjusted. An update will be provided August 19, 2008 Council Meeting.

1. Communication Service Tax – This tax was implemented by the Florida Department of Revenue in 2001 and created to replace franchise fees and public service taxes imposed by local governments on communication service providers (e.g., telephone, cable, cell phones). Providers submit the tax to the State; the State then remits the tax to the local jurisdictions. The State audits the service providers and routinely adjusts each jurisdiction's payments. In fiscal year 2007 the City of Sanibel received \$556,781.

In lieu of making adjustments during the year as audits are completed, the state will make one annual net adjustment in December of each year beginning in December 2008. For budgeting purposes the adjustments are scheduled to be posted in late July for the 2008-09 fiscal year and in April for subsequent years. As of July 29, 2008 the adjustments have not been posted. June's payment was approximately \$15,000 below budget. This was not due to a State audit. The June payment was missing one of our major service provider's payments. The July payment included two months of payments from the service provider.

2. Refuse Franchise Fee Revenue and Tipping Fees – The City of Sanibel receives a franchise fee equated to 15% of the solid waste charges received by the City's solid waste service provider. In addition, the City receives a \$25 per ton tipping fee on solid waste disposal. In 2007 the Franchise fee rate was 5% and the tipping fee rate was \$20 per ton. In 2007 the franchise fee generated revenues of \$148,057 and the tipping fee generated \$190,496. For 2008 the franchise fee and tipping fee are estimated to approximate the budgeted amounts, \$395,739 and \$243,750 respectively. Corresponding with the economic slow down we have experienced a 5.8% decrease in solid waste tonnage during the first nine months

of this fiscal year compared to the first nine months of the prior fiscal year. The 2009 proposed revenues for these two sources may need to be lowered.

3. Market Value Adjustment for State Board of Administration Fund B Investment Pool – The net value of the City’s Fund B Investment accounts improved by \$209,069 according to the June 30, 2008 Investment Statement in comparison to the May 31, 2008 Investment Statement. Based on the current statement, the unrealized loss adjustment would be \$112,933. Staff will continue to monitor these investments closely and provide a recommended budget adjustment at the August 19, 2008 Council meeting.

In addition to adjusting the revenue projection for the FY 2009 budget, these revenue trends may also impact current year revenue projections as well.

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